

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6965
BILL NUMBER: SB 350

NOTE PREPARED: Dec 26, 2002
BILL AMENDED:

SUBJECT: Debt Service and Capital Projects Funds.

FIRST AUTHOR: Sen. Bowser
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☐ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

STATE IMPACT	FY 2003	FY 2004	FY 2005
State Revenues			
State Expenditures		85,864,000	171,728,000
Net Increase (Decrease)		(85,864,000)	(171,728,000)

LOCAL IMPACT	CY 2003	CY 2004	CY 2005
Local Revenues		171,728,000	171,728,000
Local Expenditures			
Net Increase (Decrease)		171,728,000	171,728,000

Summary of Legislation: This bill provides a state distribution to the capital projects and debt service funds of each school corporation. It requires a school corporation to reduce its capital project and debt service fund levies by the amount of the state distribution. The bill also makes an appropriation.

Effective Date: July 1, 2003; January 1, 2004.

Explanation of State Expenditures: This bill guarantees that each one cent raised in a school's capital project fund or debt service fund will generate \$31 per ADM for the first \$0.20 of the capital projects fund

rate and the first \$0.30 of the debt service fund rate. Schools with adjusted assessed valuation of less than \$310,000 per ADM will receive a distribution under this bill. Based on CY 2002 data adjusted for reassessment projections, 255 schools would be eligible to receive about \$80.5 M to help equalize capital project fund rates. The bill limits the maximum capital project distribution to \$80,463,000 for CY 2004 and CY 2005. Based on CY 2002 data adjusted for reassessment projections, the debt service support formula would distribute about \$91.3 M to 214 school corporations to equalize debt service fund rates. The bill currently limits the debt service support distribution to \$91,265,000 for CY 2004 and CY 2005. The maximum distribution for the capital project distribution and the debt service distribution is \$171,728,000 (\$80,463,000 + \$91,265,000 = \$171,728,000). The impact for the state General Fund is \$85,864,000 for FY 2004 (½ of CY 2004 maximum distribution) and \$171,728,000 for FY 2005 (½ of CY 2004 and CY 2005 maximum distributions). The distributions expire on January 1, 2005.

School corporations' capital project funds do not receive state Property Tax Replacement Credits. Debt service funds do not receive state Property Tax Replacement on levies generated by debt entered into after 1983. The State Property Tax Relief Fund would not be affected by the reduction in levies.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Based on CY 2002 data, this bill will result in reduced property tax levies of about \$171,728,000 in each of CY 2004 and CY 2005. Schools are allowed to levy an amount sufficient to make debt service payments and fund their capital projects fund budgets, subject to a rate limit on the capital projects fund. The levy is determined by subtracting miscellaneous revenue from the approved budget. The new distributions will increase miscellaneous revenue and therefore decrease levies. The reduction of property tax levies will cause a drop in distributions of Excise Tax and Financial Institutions Tax (FIT) which are distributed based on levies. The lost Excise Tax and FIT revenue would be redistributed to other units in the counties.

State Agencies Affected: Department of Education.

Local Agencies Affected: School Corporations; Local units receiving Excise and FIT taxes.

Information Sources: Department of Education SAS Databases.

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